

## **The complaint**

Mr S complains that Clydesdale Bank PLC trading as Virgin Money allowed him to transfer funds out of his ISA without warning him that the funds would lose their tax-free status.

## **What happened**

In June 2023, Mr S opened a new ISA with Virgin Money. He transferred the funds from an existing ISA into the new account. On the following day, he intended to transfer funds amounting to around £7,600 from another Virgin Money ISA which he held, again into the new account. However, he discovered that instead of the funds being transferred into the new ISA, the old ISA had been closed and the funds sent to his current account. As a result he lost the tax-free status of the funds which he believes is losing him interest of around £300 a year. He believes that Virgin Money failed to warn him about this, that the procedure and instructions on the website are not sufficiently clear, especially for people who do not use the internet regularly.

Virgin Money said that there was no error on its part. It explained that its website was designed to be user friendly and that a customer cannot complete the process without reviewing and agreeing to the request.

Mr S says that at no time did he see a screen asking him to review the transfer/closure of the account. He also says that, even if it was a mistake on his part, at no time did Virgin Money advise him that the funds would be losing their tax-free status.

On referral to the Financial Ombudsman Service, our Investigator said that he thought that the ISA transfer information was clear, as were the warning messages about losing tax-free status. And he hadn't seen any information to suggest any errors on Virgin Money's part.

Mr S denies that he saw any warning messages and says that the screenshots provided by Virgin Money were not shown to him at the time.

The matter has been passed to me for an Ombudsman's consideration.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Where the evidence is incomplete, as some of it is here, I have to make my decision based on what I think is most likely to have happened. I have a duty to be impartial so I have to assess both parties' evidence fairly.

From the evidence I've seen, it does appear that Mr S managed to successfully open the first ISA he mentions and transfer all the funds into it from another ISA. Given that, I can understand why he thought that he would have been able to transfer funds from a different ISA into it the next day. I believe that this was because it was a different type of ISA, but Virgin Money has shown us the screens it asserts that Mr S would have seen.

The first screen states *“Transferring funds to another ISA with Virgin Money is not permitted online. Please note should you choose to transfer your funds to a Virgin Money account which is not an ISA, you will lose the tax-free status on those funds. Transferring funds to another ISA with Virgin Money is not permitted online therefore you must complete a Transaction Request Form.”*

The screenshot says that the customer must choose the account into which the funds are to be paid. This is a drop-down menu and I have to assume that Mr S’s current account was one of the options. The funds went into that account so it must have been recorded as part of Mr S’s customer details by Virgin Money.

If Mr S made a mistake by selecting that account, he tells us that he didn't receive any warning that he would lose the tax-free status of his funds by carrying out the transfer.

However the second screen states *“You’ve chosen an account which is not a Cash ISA. If you transfer money from your maturing Cash ISA to this account you will lose the ISA tax-free status on the money you transfer. If you accept that you’ll lose the ISA tax-free status on these funds select ‘Continue’. Alternatively choose ‘Cancel’ to review your selection.”*

So it does appear clear that Mr S was advised through those screenshots that by continuing with the transaction he would be losing the tax-free status of the funds. He insists that he saw no such screenshots so didn't receive any such warning from Virgin Money. On the other hand Virgin Money says that those screenshots would have been shown to Mr S when completing the transaction. From my knowledge of how these systems operate, I do think that it is likely that when closing an ISA, as happened here, the customer would not have been able to complete the process without acknowledging that they are losing the tax-free status of their account.

It does appear that Mr S mistakenly closed his ISA account rather than transferring it as he had intended. But, as I think it likely that Mr S was presented with the warning screens, I don't think that Virgin Money has made an error here. I am satisfied that if the position was confusing, Virgin Money does provide advice about how to proceed if it's contacted.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 14 February 2025.

Ray Lawley  
**Ombudsman**